

October 25, 2002

VIA COURIER

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A. Russell Latham, CPA, CFE
Chief Financial Analyst
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Re: Form A Filing

Gentlemen and Ms. Glover:

The enclosures to this letter supplement the Form A filing that was provided to each of you during our meeting of September 17, 2002. By e-mail forwarded to me on October 7, 2002, Deputy Commissioner Odiorne identified the Form A Exhibits, documents and other information that was missing from our Form A filing as of

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September 27, 2002, and necessary to complete the Form A requirements under the applicable Holding Company Act laws. For your convenience of reference, Attachment A to this letter identifies the information and documentation that is responsive to Deputy Commissioner Odiorne's e-mail.

In connection with our Prior Notice of a Transaction (the "Form D") which was included in the Form A filing, Deputy Commissioner Odiorne also requested that we extend the 30-day review period set forth under the applicable Holding Company Act provisions for reviewing a Form D. To be consistent with my August 27, 2002 letter, Premera agrees to extend the review period for the Form D (Exhibit G-9 of the Form A) to December 27, 2002, which may be further extended if mutually agreed to by the states and Premera. In addition, Premera inadvertently omitted an agreement from Exhibit 2 of the Form D and has enclosed an updated version of that Exhibit with the supplemental binder enclosed with this letter.

As you are aware, since announcing our proposal to become publicly traded, we have provided a significant amount of documents and information to state officials that describe our proposal and we have stated that almost all of our documents should be made publicly available as to provide the public with the opportunity to review and comment on our proposal. With respect to the enclosed Alaska Uniform Certificate of Authority Application (UCAA) which is provided in connection with the proposed licensure and formation of the Alaska domestic insurer (referred to as Premera Blue Cross Blue Shield of Alaska Corp.), some of the documents and information required by the UCAA have been redacted because they are confidential or proprietary. The redacted documents and information principally consists of personal information contained in the biographical affidavits, financial projections, the proposed investment policy and certain fee arrangements paid to third parties that will provide services with respect to the company's investment portfolio. We deem such documents to be confidential or proprietary and exempt from disclosure under applicable state disclosure laws. Unredacted versions of such documents will be submitted to you in a separate transmittal letter.

Should you have any questions, please do not hesitate to contact me at (425) 670-5277.

Very truly yours,

John P. Domeika
Senior Vice President & General Counsel

Encl.

**RESPONSES TO DEPUTY COMMISSIONER ODIORNE'S
E-MAIL DATED OCTOBER 7, 2002¹**

1. *Solicitation Permit Applications for: issuance of stock by New Premera to the Foundation Shareholder; IPO, if any, of New Premera to public; Sale of New Premera stock to existing shareholders as called for in the Stockholder Protection Rights Agreement (may violate 2 year limitation for solicitation permit); Issuance of stock of New Premera Blue Cross Corporation; and Issuance of stock of New LifeWise Health Plan of Washington.*

Response: RCW 48.06.030 requires that a person forming or proposing to form an insurer and/or holding company in the state of Washington must obtain a solicitation permit from the Commissioner in order to "advertise, or solicit or receive any funds, agreement, stock subscription, or membership." New PREMERA ("New PREMERA") will submit a solicitation permit containing the elements in RCW 48.06.040 to accomplish the following activities within the two year time period required under RCW 48.06.070:

- (a) issuance of initial stock of New PREMERA to the Foundation Shareholder;
- (b) issuance of stock of New Premera Blue Cross Corp.; and
- (c) issuance of stock of New LifeWise Health Plan of Washington, Inc.

However, subsequent offerings of New PREMERA stock do not fall under the statutory regime of RCW 48.06.030 as such offerings are subsequent to the formation of an insurer or holding company. Therefore, New PREMERA will not need to seek an additional solicitation permit for such offerings.

We expect that, should the Form A be approved, the order evidencing such approval would be conditioned upon the applicable company applying for and receiving a solicitation permit as described above.

2. *Most all of the Exhibits are in Pro Forma fashion and are unsigned and undated. Also, some of the documents refer to parties who are as yet unidentified.*

Response: As you are aware, historically the Commissioner has requested that all proposed agreements be executed after approval or notice that the transaction has not been disapproved. Further, many of the Form A Exhibits are unsigned and undated for the following reasons:

¹ The statements noted in italics in this Attachment A are statements contained in Deputy Commissioner Odiorne's e-mail of October 7, 2002.

- (a) Charter documents. As drafted, the charter documents for the charitable organizations require input from applicable state officials. The charter documents for the other entities contemplated by the proposed Conversion will not be formed until after the applicable state officials have approved the Conversion.
 - (b) Agreements. All of the proposed agreements contained in the Form A are between entities that do not yet exist and will be executed after the applicable state officials have approved the Conversion and as the applicable entities are formed.
3. *As listed in the Exhibit List to the Form A*
Exhibit A-6 Application for Certificate of Authority for PBC-AK in Alaska
Exhibit E-8 Description of Destacking Transaction
Exhibit G-10 Description of Stock Ownership Plan
Exhibit G-20 BCBSA License Agreement Addendum
Exhibit G-21 Intellectual Property License Agreement
Exhibit H-2 Management Agreement

Response: All of these Exhibits have been incorporated into the October 25, 2002 supplement to the Form A.

4. *Exhibits to Form A Exhibits*
A. *Exhibit B, C and D to Form A Exhibit A-4*

Response: Updated Exhibits B, C and D are included under Exhibit A-4 (Plan of Conversion) in the October 25, 2002 supplement to the Form A.

- B. *Exhibit A (transaction documents) to Form A Exhibit G-3 (may already have but need a specific listing of all the documents this is referring to)*

Response: A list of all the applicable Transaction Documents is contained in the updated Exhibit A to Exhibit G-3 (Stock Restrictions Agreement) and is included under tab Exhibit G-3 in the October 25, 2002 supplement to the Form A. Because of other changes to the Stock Restrictions Agreement related to the matters referenced in Section 5(B) below, we have refiled the entire agreement. Both a clean copy and redlined copy highlighting the changes to the prior version have been provided.

- C. *Annex A (transaction documents) to Form A Exhibit G-4 (may already have but need a specific listing of all the documents this is referring to)*

Response: A list of all the applicable Transaction Documents is contained in the updated Annex A to Exhibit G-4 (Voting Trust and Divestiture Agreement) and is included under tab Exhibit G-4 in the October 25, 2002 supplement to the Form A.

D. Exhibit A (Trustee Fee Schedule) to Form A Exhibit G-4

Response: We have not broadly solicited fees for the services to be rendered by the trustee under the Voting Trust and Divestiture Agreement. For the state officials' informational purposes, we did solicit preliminary estimates of fees from the Bank of New York. However, the fees should not be considered a definitive commitment on their part to offer their services at those rates. These preliminary fee estimates are contained in the updated Exhibit A to Exhibit G-4 (Voting Trust and Divestiture Agreement), which is included under Exhibit G-4 in the October 25, 2002 supplement to the Form A.

E. Annex A (transaction documents) to Form A Exhibit G-5 (may already have but need a specific listing of all the documents this is referring to)

Response: A list of all the applicable Transaction Documents is contained in the updated Annex A to Exhibit G-5 (Registration Rights Agreement) and is included under tab Exhibit G-5 in the October 25, 2002 supplement to the Form A.

F. Annex A (transaction documents) to Form A Exhibit G-7 (may already have but need a specific listing of all the documents this is referring to)

Response: A list of all the applicable Transaction Documents is contained in the updated Annex A to Exhibit G-7 (Excess Share Escrow Agent Agreement) and is included under tab Exhibit G-7 in the October 25, 2002 supplement to the Form A.

G. Exhibit A (Articles of Incorporation of New Premera) to Form A Exhibit G-7 (already have these in Exhibit B-1 to Form A)

Response: Although the proposed Articles of Incorporation for New PREMERA are included under Exhibit B-1 of the Form A, Exhibit A of Exhibit G-7 (Excess Share Escrow Agent Agreement) has been updated to include the Articles of Incorporation under Exhibit tab G-7 in the October 25, 2002 supplement to the Form A.

H. Exhibit B (Share Escrow Agent Fees) to Form A Exhibit G-7

Response: We have not broadly solicited fees for the services to be rendered by the escrow agent under the Excess Share Escrow Agent Agreement. For the state officials' informational purposes, we did solicit preliminary estimates of fees from the Bank of New York. However, these fees should not be considered a definitive commitment on their part to offer their services at those rates. These preliminary fee estimates are contained in the updated Exhibit A to Exhibit G-7 (Excess Share Escrow Agent Agreement) and is included under tab Exhibit G-7 in the October 25, 2002 supplement to the Form A.

I. Annex A (transaction documents) to Form A Exhibit G-8 (may already have but need a specific listing of all the documents this is referring to)

Response: A list of all the applicable Transaction Documents is contained in the updated Annex A to Exhibit G-8 (Indemnification Agreement) and is included under tab Exhibit G-7 in the October 25, 2002 supplement to the Form A. Because of another change to the Indemnification Agreement related to Section 5(C) below, we have refiled the entire agreement. Both clean and redlined copies highlighting the changes to the prior version of that agreement have been provided.

J. Exhibit A (Acknowledgement and Consent of Premera) to Form A Exhibit G-11, Schedule 1 (Assets) to Form A Exhibit G-11 and Schedule 2 (Assumed Liabilities) to Form A Exhibit G-11

Response: Updated Exhibit A, Schedule 1 and Schedule 2 are included under tab Exhibit G-11 (PBC-AK Transfer of Assets Agreement) in the October 25, 2002 supplement to the Form A. We have also amended and replaced the consent contained in Exhibit A of Exhibit G-12 (PBC Transfer of Assets Agreement) and updated the consent contained in Exhibit A of Exhibit G-13 (PREMERA Transfer of Assets Agreement).

5. Documents referred to

A. November 2001 survey conducted by Accenture referred to in the Business Plan, Exhibit E-7 to Form A.

Response: This survey is publicly available at <http://www.mdinsurance.state.md.us/documents/E1-A6IMPACTSTATEMENT.pdf>.

B. The Foundation will enter into an agreement (which agreement is not attached nor referenced as an Exhibit) with the applicable charitable organizations. This agreement is referred to in Section 3.02 of the Stock Restrictions Agreement (Exhibit G-3 to Form A).

Response: Section 3.02 of the Stock Restrictions Agreement has been amended to specifically identify and attach as exhibits the respective Charitable Organization Grant Agreements between the Foundation Shareholder and the Alaska Charitable Organization and the Foundation Shareholder and the Washington Charitable Organization. Both clean and redlined copies highlighting the changes made to the prior version of the Stock Restrictions Agreement have been provided.

C. Membership Restrictions Agreement mentioned in Section 1(j) of the Indemnification Agreement.

Response: The definition originally set forth in Section 1(j) has been deleted from the Indemnification Agreement. Both clean and redlined copies of the prior version of that agreement have been provided.

D. Agreement between the Foundation Shareholder and the Washington and Alaska Charitable Organizations which provides restrictions on the manner in which the proceeds may be used. This agreement is referred to in Section 3.02 of the Stock Restrictions Agreement.

Response: See response to Section 5(B) above.

6. *Biographical Affidavits*

A. Most are within the last year, but some are several years old, at what point are we going to require updated bios.?

Response: As the OIC is aware, PREMERA requires all directors, officers and key personnel to complete a Conflict of Interest and Disclosure Questionnaire on an annual basis that includes the same questions and disclosure requirements as contained on the NAIC Biographical Affidavit forms currently on file with regulatory authorities. These questionnaires can be made available for review during the Form A review process.

B. Biographical Affidavit of Corbin Marion Butler does not have listing of residential addresses for last 10 years.

Response: C. Marion Butler, Jr. no longer holds positions with PREMERA and Premera Blue Cross, and will not be a director or executive officer of New PREMERA or New Premera Blue Cross Corp.